

GILLESPIE FIELD DEVELOPMENT COUNCIL
September 18, 2012

AGENDA ITEM # 6

Marshall Avenue Industrial Property
Preliminary Agreement Concerning Development and Disposition of Land

The non-aviation portion of Gillespie Field includes an undeveloped area of about 9.34 gross (8.68 net) acres between Marshall Avenue and the Forrester Creek Channel. This site was released by the FAA for non-aeronautical use in 2007.

On May 15, 2012, County staff presented to the GFDC, as an information item, its plans to issue a Request for Proposals (RFP) to develop Marshall Avenue property for industrial use under a 55-year ground lease. The staff presentation included key terms of the Marshall Avenue Industrial RFP. This RFP was publicized through the County Airports' website, flyer distribution and through several media outlets, including U-T San Diego, San Diego Business Journal and San Diego Daily Transcript. County staff reviewed the proposals with assistance of a selection committee, which included Mr. Bob Davison and Jeff Swiney of the GFDC and Jo Marie Diamond of ECEDC.

The selected proposal was from Jeremy Dentt and Ryan Dentt dba Dentt Development Co. ("Dentt"). Both Jeremy Dentt and Ryan Dentt are closely associated with Pacific Realty Advisors, LP, the company that, in the late 1990's and the early 2000's, developed, and now successfully leases and manages, most of the properties at Cuyamaca West Industrial Park, Unit 2, also known as Gillespie Field Business Park. Their experience in development and property management and the proven ability to finance their projects qualify Dentt to undertake the proposed project.

The proposed Marshall Avenue project will consist of eight concrete tilt-up industrial multi-tenant buildings (130,000 sq. ft. total), built in two phases. All buildings are single-story, with units ranging from 900 to 5,000 sq. ft. Certain design features of the proposed buildings will be similar to those of the Gillespie Field Business Park. Dentt is planning to incorporate LEED principles into its design and construction. The proposal meets the minimum initial base monthly rent of \$31,000 and significantly exceeds the \$2,387,000 minimum capital improvement requirement proposed by the County.

Proposed Preliminary Agreement Concerning Development and Disposition of Land

As a first step, County and Dentt will enter into a two-year Preliminary Agreement Concerning Development and Disposition of Land ("DDA"), which will outline the preliminary terms of the potential lease. As staff has previously presented to GFDC, such an agreement is necessary to provide sufficient certainty for a developer to invest in obtaining entitlements needed for the project. These include necessary environmental and technical reports needed to comply with the requirements of the

California Environmental Quality Act (“CEQA”) and National Environmental Policy Act (“NEPA”), and permits with the City of El Cajon.

Dentt must successfully complete all CEQA requirements prior to entering into the lease and all NEPA requirements prior to any construction under the lease. The County will retain its ability to modify the potential lease to include any mitigation measures or alternatives, considering findings prepared upon the completion of these environmental reviews.

The Board of Supervisors’ action on this DDA will not constitute approval of a project within the meaning of Section 15352 of the CEQA Guidelines, in that it does not commit the County to a definite course of action. The DDA expressly leaves open the possibility of adopting mitigation measures or project alternatives. The project is still in the process of being defined and will be subject to further review.

Proposed Lease Terms

The proposed lease will be an attachment to the DDA, but the final lease will be brought back to the GFDC prior to being presented to the County Board of Supervisors, expected in approximately two years.

The proposed Lease terms include:

Term	55 years
Base Monthly Rent	Phase I: \$14,464 begins 18 months after the lease commencement (this amount may be revised based on finalizing plans for Phase I) Phase II: \$31,000, begins 36 months after the lease commencement
Rent Credit for extraordinary soil work	Up to \$400,000 based on actual costs
Required Capital Improvements	\$8,000,000

The term for the lease will be 55 years. The rent will be phased concurrently with the proposed construction. The initial base monthly rent of \$31,000, when fully developed, will include periodic adjustments based on CPI, as well as periodic negotiated adjustments to market rate. Additionally, Dentt and County have agreed to a rent credit for extraordinary expenses related to the remediation of preexisting soil conditions on the site, to be based on the actual cost, up to a maximum of \$400,000, applied up to \$5,000 per month until complete. Capital Improvements to be constructed by Dentt are expected to exceed \$8,000,000.

RECOMMENDED MOTION

“Gillespie Field Development Council recommends the Board of Supervisors approve the proposed Preliminary Agreement Concerning Development and Disposition of Land with Jeremy Dentt and Ryan Dentt dba Dentt Development Co., as recommended by staff.”